

## Message Text

PAGE 01 STATE 290264  
ORIGIN EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00  
AID-05 SS-15 STR-05 ITC-01 TRSE-00 USIA-06 PRS-01  
SP-02 OMB-01 XMB-02 /115 R

DRAFTED BY EA/EP:AHEGBURG:SJP  
APPROVED BY EA:EHEGINBOTHAM  
EA/EP:AGEBER  
EB/STA:CBLUM  
H:BATWOOD  
EA/J:HCOCHRAN  
STR:RRIVERS  
TREASURY:WBARREDA  
EUR/RPE - MR. LAMARTINO (INFO)  
-----064273 061106Z /21

R 060150Z DEC 77  
FM SECSTATE WASHDC  
TO AMEMBASSY TOKYO  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY PARIS  
USMISSION GENEVA

C O N F I D E N T I A L STATE 290264

FOR USEC, FOR USOECD, MTN ALSO FOR US MISSION

E.O. 11652: GDS

TAGS: ETRD, JA, US

SUBJECT: PROTECTIONIST PRESSURES IN U.S. CONGRESS

1. THIS CABLE PROVIDES BACKGROUND INFORMATION FOR USE  
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PAGE 02 STATE 290264

BY EMBOFFS IN THEIR DISCUSSIONS WITH JAPANESE OFFICIALS  
CONCERNING THE GROWTH OF PROTECTIONISM IN THE U.S.  
THE INFORMATION WHICH FOLLOWS FOCUSSES PRIMARILY ON  
CONGRESSIONAL DEVELOPMENTS PRIMARILY IN RESPONSE TO  
POLITICAL PRESSURES GENERATED BY THE STEEL IMPORT  
PROBLEM. EMBOFFS ARE NOT BEING REQUESTED TO RAISE  
THIS ISSUE OFFICIALLY WITH THE JAPANESE AT THIS TIME  
BUT SHOULD USE OCCASIONS WHICH ARISE TO BRIEF JAPANESE  
OFFICIALS OF OUR PERCEPTIONS.

2. WHILE THE STEEL IMPORT PROBLEM HAS PREOCCUPIED CONGRESS LATELY A MUCH BROADER PROTECTIONIST CAMPAIGN IS LIKELY TO BE A MAJOR ISSUE IN THE NEXT SESSION OF THE 95TH CONGRESS.

3. RECENT DEVELOPMENTS: SINCE SEPTEMBER, THERE HAVE BEEN A NUMBER OF DEVELOPMENTS IN THE CONGRESS WHICH ILLUSTRATE THE GROWING CONCERN WITH THE RULES UNDER WHICH INTERNATIONAL TRADE IS CONDUCTED.

-- IN THE HOUSE, A STEEL CAUCUS COMPRISING OVER 170 MEMBERS HAS BEEN FORMED. WHILE THIS GROUP IS NOT COHESIVE AND ITS MEMBERSHIP IS LARGELY DRAWN FROM THE NORTHERN INDUSTRIAL STATES SUFFERING MOST FROM STEEL PROBLEMS, ITS FORMATION DOES INDICATE THAT THE BROAD FREE TRADE CONSENSUS, A CONSENSUS UPON WHICH PASSAGE OF ALL RECENT MAJOR TRADE LEGISLATION DEPENDED, IS BEING ERODED. THE LEADERSHIP OF THE HOUSE STEEL CAUCUS IS AS FOLLOWS: GAYDOS (D-PA); BENJAMIN (D-IND); BUCHANAN (R-ALA); OBERSTAR (D-MINN); CARNEY (D-OHIO); NOWAK (D-N.Y.); BEVILL (D-ALA). MEMBERS OF THE CAUCUS HAVE MET WITH THE PRESIDENT ON TWO SEPARATE OCCASIONS. WHILE THE CAUCUS ITSELF HAS NOT ENDORSED ANY LEGISLATION, CONFIDENTIAL

PAGE 03 STATE 290264

CERTAIN MEMBERS HAVE BEEN ACTIVE IN INTRODUCING LEGISLATION.

-- H.R. 9425 AND COMPANION LEGISLATION WAS INTRODUCED ON OCTOBER 4 BY REP. BENJAMIN AND 29 COSPONSORS, VIRTUALLY ALL OF WHOM ARE MEMBERS OF THE CAUCUS. ADDITIONAL COSPONSORS HAVE BEEN LINED UP AND THE BILL WILL BE REINTRODUCED SOON. THE LEGISLATION WOULD ESTABLISH A TEMPORARY TARIFF RATE QUOTA BY ASSESSING A SURCHARGE ON IMPORTED STEEL PRODUCTS WHICH EXCEED CERTAIN IMPORT PERCENTAGES. THIS LEGISLATION WAS DEVELOPED IN CONSULTATION WITH THE AMERICAN IRON AND STEEL INSTITUTE. THE BILL, AS WITH ALL INTERNATIONAL TRADE MEASURES, HAS BEEN REFERRED TO THE HOUSE WAYS AND MEANS COMMITTEE. THE LEGISLATION HAS NOT YET BEEN REFERRED TO THE COMMITTEES' SUBCOMMITTEE ON TRADE WHERE, IF AT ALL, HEARINGS WOULD BEGIN.

-- H.R. 9935 ORIGINALLY INTRODUCED ON NOV. 3, SPONSORED BY REP. DINGELL (D-MICH) AND A MEMBER OF THE HOUSE STEEL CAUCUS, THIS LEGISLATION WOULD PLACE QUANTITATIVE RESTRICTIONS ON STEEL IMPORTS BY CATEGORIES. THE LEVEL OF QUANTITATIVE RESTRICTIONS COULD NOT EXCEED ANY NATIONS' IMPORT PERCENTAGE OF JULY 1, 1973 - JUNE 30, 1974. THIS LEGISLATION HAS 15 COSPONSORS.

-- H.R. 9026 AND IDENTICAL BILLS - INTRODUCED IN

SEPTEMBER AND AGAIN IN NOVEMBER BY PERKINS (D-KY) AND A MEMBER OF THE STEEL CAUCUS, AND GAYDOS (D-PENN), THIS LEGISLATION WOULD LIMIT ACCESS TO THE U.S. MARKET, WITH SPECIFIC REFERENCE TO CARBON AND SPECIALTY STEEL IMPORTS. THIS LEGISLATION IS GENERAL IN NATURE.

-- H.R. 9933 - INTRODUCED ON NOV. 3, AND SPONSORED BY DENT (D-PA) THE BILL WOULD LIMIT IMPORTS OF ALL PRODUCTS TO 10 OF U.S. CONSUMPTION. DENT IS A MEMBER OF THE CONFIDENTIAL

PAGE 04 STATE 290264

STEEL CAUCUS.

-- H.R. 9160 - THIS LEGISLATION, SPONSORED BY COUGHLIN (R-PENN) WOULD PLACE TONNAGE LIMITATIONS ON STEEL IMPORTS. COUGHLIN IS A MEMBER OF THE STEEL CAUCUS. THE LEGISLATION WAS INTRODUCED ON SEPTEMBER 16.

-- H RES 902 - INTRODUCED ON NOV. 3 - SPONSORED BY FITHIAN (D-IND) URGES THE PRESIDENT TO INITIATE NEGOTIATIONS WITH THE EC AND JAPAN TO ACHIEVE AN OMA ON STEEL PROVIDING FOR IMPORT LEVELS SIGNIFICANTLY BELOW CURRENT ONES. FITHIAN IS A MEMBER OF THE STEEL CAUCUS.

-- HRES 842 - THIS RESOLUTION SPONSORED BY BEDELL (D-IA) URGES VIGOROUS ENFORCEMENT OF EXISTING LAWS TO PREVENT DUMPING, TRADE DISCRIMINATION AND OTHER FORMS OF UNFAIR COMPETITION HAVING AN ADVERSE IMPACT ON U.S. STEEL, TELEVISION, AND ELECTRONICS INDUSTRIES. THIS LEGISLATION IS A BROADER VERSION OF A SENATE RESOLUTION S RES 279 WHICH PASSED THE SENATE ON OCTOBER 12, 1977. A MAJORITY OF THE STEEL BILLS CONTAIN PROVISIONS EASING QUOTAS IF THE U.S. EMPLOYMENT SITUATION IN GENERAL, OR IN THE STEEL SECTOR, IN PARTICULAR, IMPROVES.

4. LEGISLATION RESTRICTING IMPORTS OF OTHER PRODUCTS IS ALSO PENDING BEFORE THE WAYS AND MEANS COMMITTEE. FOR EXAMPLE, BETWEEN OCT. 19 AND NOV. 1, REP. MANN (D-S.C.), ARRANGED FOR OVER 170 COSPONSORS FOR A RESOLUTION URGING THAT DUTIES ON TEXTILE AND WEARING APPAREL IMPORTS NOT BE REDUCED AND THAT THESE IMPORTS BE EXCLUDED FROM THE CURRENT MTN NEGOTIATIONS. AN IDENTICAL RESOLUTION HAS BEEN INTRODUCED BY SENATOR HOLLINGS.

CONFIDENTIAL

PAGE 05 STATE 290264

5. THERE ARE RESTRICTIVE INVESTMENT BILLS BEFORE THE INTERSTATE AND FOREIGN COMMERCE COMMITTEE AND A VARIETY OF BUY AMERICA BILLS BEFORE THE GOVERNMENT OPERATIONS COMMITTEE. WITH REGARD TO THIS LATTER COMMITTEE, IT

APPEARS THAT THE RELEVANT SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY AFFAIRS HAS NO INTENTION OF HOLDING

HEARINGS ON THIS LEGISLATION DURING THIS OR THE NEXT SESSION OF CONGRESS. A MAJOR LOBBYING EFFORT COULD CHANGE THIS INTENTION, HOWEVER.

6. IN THE SENATE, A STEEL CAUCUS COMPRISING 17 MEMBERS AT LAST COUNT HAS BEEN FORMED. THE LEADERS OF THIS CAUCUS ARE SENATORS GLENN (D-OHIO), HEINZ (R-PA), METZENBAUM (D-OHIO), RANDOLPH (D-W. VA) AND BAYH (D-IND). SENATOR HEINZ HAS BEEN INSTRUMENTAL IN DEVELOPING THE FOLLOWING TWO PIECES OF LEGISLATION:

-- S 2317, WHICH WOULD CONDENSE THE TIME NEEDED FOR ASSESSING DUMPING DUTIES AND S 2318 WHICH IS A BUY AMERICA ACT RELATING TO CONTRACTS, MORE THAN 1/2 OF WHICH, ARE FINANCED OR GUARANTEED BY THE U.S. OR ANY OF ITS INSTRUMENTALITIES. THE FORMER BILL HAS 13 COSPONSORS AND THE LATTER EIGHT. THE LATTER BILL IS TENTATIVELY SCHEDULED FOR HEARINGS BEFORE THE SUBCOMMITTEE ON FEDERAL SPENDING PRACTICES AND OPEN GOVERNMENT OF THE GOVERNMENTAL AFFAIRS COMMITTEE AFTER THE FIRST OF THE YEAR. COPIES OF ALL THE RELEVANT LEGISLATION ARE BEING PROVIDED TO TOKYO.

7. IN ADDITION TO THE LEGISLATION INTRODUCED IN THE LAST EIGHT WEEKS, THERE HAVE BEEN A SERIES OF HEARINGS ON TRADE, STEEL AND DUMPING. THE MOST ACTIVE GROUP ON THIS ISSUE HAS BEEN THE SUBCOMMITTEE ON TRADE OF THE HOUSE WAYS AND MEANS COMMITTEE. THIS SUBCOMMITTEE, CHAIRED BY REP. VANIK D-OHIO, HAS HELD HEARINGS ON THE U.S. TRADE CONFIDENTIAL

PAGE 06 STATE 290264

DEFICIT, THE STEEL IMPORT PROBLEM, AND APPLICATION OF THE ANTI-DUMPING LAWS. THE HEARINGS HAVE ALL BEEN OVERSIGHT RATHER THAN LEGISLATIVE IN NATURE. ON A NUMBER OF OCCASIONS, REP. VANIK HAS EXPRESSED HIS CONCERN WITH EFFORTS WHICH MIGHT INTERFERE WITH FREE TRADE. HE ALSO WROTE TO MR. STAUSS A FEW MONTHS AGO SUGGESTING IMPOSITION OF A 15 SURCHARGE ON JAPANESE GOODS UNDER SECTION 122 OF P.L.93-618.

8. OTHER DEVELOPMENTS: THE AFL-CIO, WHICH HAS YET TO ENDORSE ANY OF THE STEEL IMPORT LEGISLATION, MEETS DECEMBER 8 IN LOS ANGELES FOR ITS BIENNIAL CONVENTION. REPRESENTATIVES OF THE FEDERATION HAVE TOLD DEPARTMENT OFFICERS THAT THEY EXPECT THE MEMBERSHIP TO ENACT A POLICY RESOLUTION ON INTERNATIONAL TRADE, WHICH WOULD BE LEGISLATIVELY IMPLEMENTED BY THE EXECUTIVE COMMITTEE. ACCORDING TO LABOR OFFICIALS, A MAJOR EFFORT TO PASS A JOB-PROTECTION ACT WOULD BE MADE BEFORE THE MID-TERM

ELECTIONS. THE MODEL BEING USED FOR CONSIDERATION AT THE CONVENTION IS THE BURKE-HARTKE LEGISLATION WHICH WAS A MAJOR LABOR INITIATIVE IN 1970. THIS LEGISLATION CONTAINED A NUMBER OF RESTRICTIVE ACROSS THE BOARD PROVISIONS, ON IMPORTS AND WAS SUBJECT TO A MAJOR FIGHT IN BOTH HOUSES OF CONGRESS. IN ADDITION THE EXECUTIVE COUNCIL OF THE AFL-CIO EXPRESSED ITS DESIRE TO HAVE REPEALED A VARIETY OF U.S.G. PROMOTION POLICIES ON TRADE AND INVESTMENT I.E. DISC, AND OPIC. IT WAS INTENSE LABOR LOBBYING WHICH LED TO THE DECISION TO WITHDRAW THE OPIC AUTHORIZATION FROM THE HOUSE FLOOR. WE JUDGE A LABOR MOVE, TOWARD IMPORT RESTRICTION, AND REPEAL OF TRADE AND INVESTMENT PROMOTION EFFORTS AS LIKELY AND DISTURBING. FINALLY THE AMALGAMATED CLOTHING AND TEXTILE WORKERS UNION ON OCTOBER 31 FILED PETITIONS WITH TREASURY  
CONFIDENTIAL

PAGE 07 STATE 290264

DEPARTMENT ALLEGING THAT BOUNTIES OR GRANTS ARE BEING BESTOWED ON EXPORTS OF A VERY WIDE RANGE OF TEXTILES AND MEN'S AND BOY'S APPAREL FROM ARGENTINA, BRAZIL, COLOMBIA, REPUBLIC OF CHINA, INDIA, REPUBLIC OF KOREA, PHILIPPINES AND URUGUAY.

9. WE REALIZE THAT INTRODUCTION OF LEGISLATION DOES NOT IN ITSELF GUARANTEE PASSAGE OF PROTECTIONIST LEGISLATION NOR EVEN THAT A MAJOR EFFORT WILL BE MADE IN THE NEXT CONGRESS. HOWEVER, INTRODUCTION OF LEGISLATION WHEN COUPLED WITH ACTIVITIES AND PLANS OF MAJOR LOBBYING ORGANIZATIONS, IN THE CURRENT ECONOMIC CLIMATE, PROVIDES AN INDICATION OF THE LIKELY DIRECTION IN WHICH THE CONGRESS IS MOVING. IN ANTICIPATION OF MORE PRO- NOUNCED CONGRESSIONAL EFFORTS TO ENACT RESTRICTIVE TRADE LEGISLATION THE ADMINISTRATION HAS BEGUN PLANNING A BROAD STRATEGY FOR DEALING WITH THE PROTECTIONIST THREAT IN ALL ITS ASPECTS.  
VANCE

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## Message Attributes

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